



Joint Legislative Audit and Review Commission 2000 Fiscal Impact Review

Bill Number: HB344 as Introduced
Review Requested By: Delegate Cranwell
Chairman of: House Finance

Concur

JLARC Staff concur with the fiscal impact statement referred for review

Concur with Reservations

With the reservations noted below, JLARC staff concur with the fiscal impact statement referred for review

X Non-Concur

As noted below, JLARC staff do not concur with the fiscal impact statement referred for review.

Bill Summary

Eliminates the 4.5 percent sales tax on food purchased for human consumption over a period beginning on January 1, 2000 and ending with the elimination of the tax by April 1, 2004.

Fiscal Implications

JLARC staff does not concur with the initial fiscal impact statement prepared by the Department of Taxation on HB344. JLARC staff calculated a marginal fiscal year impact that is roughly half of the number produced by the Department of Taxation. Conversations with the Tax Commissioner the afternoon of February 14 indicated that the Department of Taxation was reducing its estimate by approximately 50 percent also.

The JLARC staff analysis indicates that General Fund revenues would be reduced by \$12.8 million to \$20.7 million in FY 2001 and by \$64.1 million to \$79.5 million in FY 2002. In part this is because significant revenue reductions are already programmed under the current Food Tax Reduction Program, and HB 344 makes marginal changes to the already planned cuts, as shown:

| EFFECTIVE DATE | CURRENT LAW | HB 344 |
|-----------------|-------------|--------|
| January 1, 2000 | 4.0% | 4.0% |
| April 1, 2001 | 3.5% | 3.0% |
| April 1, 2002 | 3.0% | 2.0% |
| April 1, 2003 | 2.5% | 1.0% |
| April 1, 2004 | 2.5% | 0.0% |

Additional information on the JLARC staff analysis is available upon request. Time constraints prevented JLARC staff from reviewing the impact on the Transportation Trust Fund.

Budget Amendment Necessary

Yes.

Agencies Affected

Accounts - Department of; Taxation - Department of; Transportation - Department of

Date Released, Prepared By: 02/14/2000; Walter Smiley

JLARC Staff offer the above Fiscal Impact Review in Accordance with Item 16K of Chapter 935 (1999 Acts of Assembly).
JLARC Fiscal Impact Reviews do not comment on the merits of the bill under review.